

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT

LAPEER, MICHIGAN

AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2004

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*Lewis & Knopf, CPAs, P.C.*

"Serving You with Trust and Integrity"

September 1, 2004

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Lapeer County Intermediate School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lapeer County Intermediate School District, as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lapeer County Intermediate School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lapeer County Intermediate School District as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated September 1, 2004 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages II - X and 17 - 19 are not required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lapeer County Intermediate School District's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lewis & Knopf, P.C.*

LEWIS & KNOFF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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Lapeer Intermediate School District, located in Lapeer County, Michigan, is in its second year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Management Discussion and Analysis, a requirement of GASB 34, is intended to be the Lapeer Intermediate School District's administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2004.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Fund Financial Statements and District Wide Financial Statements.

**Fund Financial Statements:**

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Special Education and Vocational Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

**District Wide Financial Statements:**

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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**District Wide Financial Statements:** (Continued)

These two statements report the Lapeer Intermediate School District net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services. Property taxes, unrestricted State aid, and State and federal grants finance most of these activities.

**The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**SUMMARY OF NET ASSETS:**

The following summarizes the net assets at the fiscal years ended June 30, 2004 and 2003:

**NET ASSETS SUMMARY**

	<u>2004</u>	<u>2003</u>
<b><u>ASSETS</u></b>		
Current Assets	\$7,051,461	\$6,800,184
Non-Current Assets	<u>6,497,864</u>	<u>6,103,872</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$13,549,325</u></b>	<b><u>\$12,904,056</u></b>
<b><u>LIABILITIES</u></b>		
Current Liabilities	\$999,330	\$1,087,164
Long-Term Liabilities	<u>2,060,975</u>	<u>2,340,270</u>
Total Liabilities	\$3,060,305	\$3,427,434
<b><u>NET ASSETS</u></b>		
Invested in Capital Assets - Net of Related Debt	4,826,261	4,227,269
Restricted for Debt Service	76,124	68,285
Unrestricted	<u>5,586,635</u>	<u>5,181,068</u>
Total Net Assets	<u>\$10,489,020</u>	<u>\$9,476,622</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$13,549,325</u></b>	<b><u>\$12,904,056</u></b>

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**RESULTS OF OPERATIONS:**

For the fiscal years ended June 30, 2004 and 2003, the District wide results of operations were:

	<u>2004</u>	<u>2003</u>
<b><u>REVENUES</u></b>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$382,154	\$369,384
Property Taxes Levied for Special Education Operations	1,846,861	1,773,780
Property Taxes Levied for Vocational Education Operations	4,076,332	3,893,231
Property Taxes Levied for Debt Service	285,283	287,690
State of Michigan Unrestricted Aid	1,018,153	1,042,408
Other General Revenues	<u>390,878</u>	<u>448,891</u>
Total General Revenues	\$7,999,661	\$7,815,384
<u>Operating Grants:</u>		
Federal	2,800,723	2,601,974
State of Michigan	936,176	1,257,817
Other Grants	<u>517,058</u>	<u>744,826</u>
Total Operating Grants	\$4,253,957	\$4,604,617
<u>Charges for Services:</u>		
General Fund	505,113	572,465
Special Education Fund	147,450	176,311
Vocational Education Fund	248,434	410,001
Cooperative Education Fund	<u>16,279</u>	<u>286,009</u>
Total Charges for Services	\$917,276	\$1,444,786
Total Revenues	\$13,170,894	\$13,864,787
<b><u>EXPENSES</u></b>		
Instruction & Instructional Support	4,006,682	4,321,533
Support Services	7,560,795	8,253,217
Community Services	324,077	221,712
Interest on Long-Term Debt	71,447	94,015
Depreciation	<u>195,495</u>	<u>194,879</u>
Total Expenses	\$12,158,496	\$13,085,356
<b><u>INCREASE IN NET ASSETS</u></b>	\$1,012,398	\$779,431
<b><u>BEGINNING NET ASSETS</u></b>	<u>9,476,622</u>	<u>8,697,191</u>
<b><u>ENDING NET ASSETS</u></b>	<u><u>\$10,489,020</u></u>	<u><u>\$9,476,622</u></u>

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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## **GOVERNMENT- WIDE FINANCIAL ANALYSIS**

### Analysis of Financial Position:

During the year ended June 30, 2004, the District's Total Net Assets increased by \$1,012,398 to a total of \$10,489,020. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$598,992 during the year due to purchases of new capital assets and principal payments on related debt exceeded depreciation. The districts Unrestricted Net Assets increased by \$405,567 during the year and the restricted portion of the net assets increased by \$7,839. The restricted Net Assets consist of the Investment in Capital Assets-net of related Debt, the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

### Analysis of Results of Operations

The district's overall revenues exceeded its expenses for the year by \$1,012,398. The total revenues decreased by \$693,893. The major change was a decrease in state and federal funds. Expenditures decreased by \$926,860. Major changes were adjustments made in programming in anticipation of the funding reduction.

## **FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS**

### Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

#### General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$112,523 during the year with the decrease coming primarily from a reduction in cash. Revenues for the year decreased by \$485,840 primarily from a decrease in state funding. Expenditures and other financing uses decreased by \$388,612, primarily due to the elimination of positions in anticipation of the reduction of State funding. The major source of general fund revenues is state aid and taxes. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Section 81)

The State of Michigan aid provided under Section 81 of the State Aid Act provides the majority of state aid to the District's General Fund. Funding to the District under Section 81 is provided to comply with the requirements of the State Aid Act and to provide technical assistance to local districts as authorized by the intermediate school board. Funding under Section 81 was \$982,000 for the fiscal year an increase of \$2,500 from the previous year.

2. Property Taxes Levied For General Operations (General Fund Homestead and Non-Homestead Taxes)

The District levies .1918 mills of property taxes for operations (General Fund) on Homestead and Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's property tax revenue for the 2003-2004 fiscal year was \$382,154. An increase of \$12,770 from the prior year.



LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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**FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)**

Analysis of Financial Position (Continued)

General Fund (Continued)

Special Education Fund

Unreserved fund balance for the special education fund increased by \$467,687 during the year with the increase coming primarily from an increase in cash. Revenues for the year increased by \$337,569 primarily from an increase in Federal funds. Expenditures and other financing uses increased by \$263,442, primarily due to an increase of Medicaid dollars flowing to local districts. The major source of special education revenues is Federal grants, state aid and taxes. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Section 51)

The State of Michigan aid provided under Section 51 of the State Aid Act provides the majority of state aid to the District's Special Education Fund. Funding to the District under Section 51 is provided to reimburse the District for unreimbursed costs of special education programs, services and special education personnel. Funding under Section 51 was \$575,000 for the fiscal year an decrease of \$58,000 from the previous year.

2. Property Taxes Levied For Special Education

The District levies .8534 mills of property taxes for operations (Special Education Fund) on Homestead and Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's property tax revenue for the 2003-2004 fiscal year was \$1,846,861. An increase of \$73,081 from the prior year.

Vocational Education Fund

Unreserved fund balance for the vocational education fund decreased by \$15,127 during the year with the decrease coming primarily from a decrease in cash. Revenues for the year decreased by \$217,675 primarily from a decrease in State funding received from local districts. Expenditures and other financing uses decreased by \$6,210, primarily due to a reduction in programming, total savings were offset by the cost of expansion of the Auto body shop area and the renovation of the kitchen of the Edtech Center. The major source of vocational education revenues is taxes. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Sections 61 and 62)

The State of Michigan aid provided under Sections 61 and 62 of the State Aid Act provides the majority of state aid to the District's Vocational Education Fund. Funding to the District under Sections 61 and 62 is provided to reimburse, on an added cost basis, the District for unreimbursed costs of its vocational-technical education center and vocational-technical programs and services. Funding under Sections 61 and 62 was \$252,000 for the fiscal year an decrease of \$33,000 from the previous year.

2. Property Taxes Levied For Vocational Education

The District levies 1.9632 mills of property taxes for operations (Vocational Education Fund) on Homestead and Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2003-2004 fiscal year was \$4,076,332. An increase of \$183,101 from the prior year.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)**

Analysis of Financial Position (Continued)

Cooperative Education Fund

The districts cooperative education fund balance decreased by \$20,581. Transfers from other governmental agencies are the primary sources of revenue in the fund and they decreased by \$269,730 from the previous year. Expenditures decreased by \$192,948 from the prior year due to elimination of countywide instruction over the LITES system.

Debt Retirement Fund

The districts debt retirement fund balance increased by \$7,839. The fund balance is restricted to use for payments on bonded debt. The funds had expenditures of \$278,263 in paying the required interest and principal payments of the school's bonded debt. General, Special and Vocational Funds designate a portion of their tax dollars for the payment of the debt that was obligated by their programs.

**GENERAL FUND BUDGETARY HIGHLIGHTS:**

**GENERAL FUND BUDGET VS. ACTUAL**

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original &amp; Final Budget %</u>	<u>Variance Actual &amp; Final Budget %</u>
Revenue	\$2,577,020	\$2,573,011	\$2,520,985	0.16	(2.02)
Expenditures	2,761,143	2,960,923	2,633,508	(6.75)	11.06
<u><b>TOTAL</b></u>	<u>(\$184,123)</u>	<u>(\$387,912)</u>	<u>(\$112,523)</u>		

**SPECIAL EDUCATION FUND BUDGET VS. ACTUAL**

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original &amp; Final Budget %</u>	<u>Variance Actual &amp; Final Budget %</u>
Revenue	\$5,133,823	\$5,505,276	\$5,437,204	(6.75)	(1.24)
Expenditures	4,963,434	5,351,191	4,969,517	(7.25)	7.13
<u><b>TOTAL</b></u>	<u>\$170,389</u>	<u>\$154,085</u>	<u>\$467,687</u>		

**VOCATIONAL EDUCATION FUND BUDGET VS. ACTUAL**

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original &amp; Final Budget %</u>	<u>Variance Actual &amp; Final Budget %</u>
Revenue	\$5,290,550	\$5,339,868	\$5,186,980	(0.92)	(2.86)
Expenditures	5,449,101	5,699,148	5,202,107	(4.39)	8.72
<u><b>TOTAL</b></u>	<u>(\$158,551)</u>	<u>(\$359,280)</u>	<u>(\$15,127)</u>		

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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**ANALYSIS OF BUDGETS:**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Lapeer Intermediate School District amends its budget during the school year. The June, 2004 budget amendment was the final budget for the fiscal year. Significant budget variations were as follows:.

Original Budget vs. Final Budget

General Fund

Revenues: Grants and State categorical funds account for approximately \$1.2 million in the General Fund budget. The actual figures for the grants are not approved by the State of Michigan until after the initial budget is completed, therefore both grant revenues and expenditures were estimated in the initial budget. These line items were impacted once final grant amounts were approved and also at year end when the State made additional adjustments to categorical grants.

Due to the uncertainty of local district funding, projected revenue generated by the Computer and Technical department was reduced. The resale expenditure for this department also decreased.

Expenditures: The ISD provides homebound and hospitalized services for the local districts. There was an increase in eligible homebound students in the County, therefore an increase in the services provided by the ISD. Due to contract negotiations, the Board's proposed wage increase was added to the amended budget. Severance costs were added to the budget due to an anticipated retirement. Secretarial support was added for the Coordinator of Administrative Services position.

Special Education Fund

Revenues: Grants and State categorical funds account for approximately \$3 million in the Special Education Fund budget. The actual figures for the grants are not approved by the State of Michigan until after the initial budget is completed, therefore both grant revenues and expenditures were estimated in the initial budget. These line items were impacted once final grant amounts were approved.

Expenditures: Due to contract negotiations, the Board's proposed wage increase was added to the amended budget. The COOL (severely emotionally impaired) program was eliminated from ISD provided services after the initial budget was in place. Remodeling costs were added to provide office space for staff at the ISD administration building who were previously located in local district buildings. Secretarial support was added for the Coordinator of Compliance, Monitoring and Data.

Vocational Education Fund

Revenues: Grants and State categorical funds account for approximately \$700,000 in the Vocational Education Fund budget. The actual figures for the grants are not approved by the State of Michigan until after the initial budget is completed, therefore both grant revenues and grant expenditures were estimated in the initial budget. These line items were impacted once final grant amounts were approved.

Expenditures: Due to contract negotiations, the Board's proposed wage increase was added to the amended budget.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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**ANALYSIS OF BUDGETS: (Continued)**

Actual Results vs. Final Budget

General Fund

Revenues: Final revenues generated by the Computer and Technical department exceeded projections. Some of the grant funding was deferred to the next fiscal year due to grants that cross over two fiscal years.

Expenditures: At year-end, the contract was not settled and those dollars budgeted for wage increases remained unspent. Grant fund expenditures were less than originally budgeted due to the fact that the grant crosses over two fiscal years.

Special Education Fund

Revenues: There is no set timetable or method for determining the flow of Medicaid dollars from the State. The amount actually received exceeded the budgeted amount. Some of the grant funding that was allocated was not expended or collected in the current year. These funds will be allocated as carryover in the 2004-2005 year.

Expenditures: Transportation costs were evaluated and streamlined. The use of alternative sources resulted in substantial cost savings. The impact was not reflected in the budget. Severance payments were included in the budget, however, no staff retired at year-end leaving these monies unspent. At year-end, the contract was not settled and those dollars budgeted for wage increases remained unspent.

Vocational Education Fund

Revenues: An adjustment for revenue that was booked twice in the prior year resulted in a \$38,000 difference in the actual results. Some of the grant funding was deferred to the next fiscal year due to grants that cross over two fiscal years.

Expenditures: The balance of expenditures for grants crossing fiscal years accounts for less money actually spent than allowed for in the budget. This money will be expended in the 2004-2005 fiscal year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-03	Increases 6-30-04	Principal Payments 6-30-04	Principal Balance 6-30-04
Bonds Payable	\$1,876,603	\$0	\$205,000	\$1,671,603
Sick & Severance Pay	668,667	0	84,295	584,372
<u>Total Long-Term Obligations</u>	<u>\$2,545,270</u>	<u>\$0</u>	<u>\$289,295</u>	<u>\$2,255,975</u>

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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**CAPITAL ASSET AND DEBT ADMINISTRATION:** (Continued)

B. Capital Assets

The district's net investment in capital assets increased by \$354,324 during the fiscal year. This can be summarized as follows:

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
Capital Assets	\$9,026,664	\$600,046	\$48,211	\$9,578,499
Less: Accumulated Depreciation	(2,983,879)	(245,722)	(48,211)	(3,181,390)
<u>Net Investment Capital Outlay</u>	<u>\$6,042,785</u>	<u>\$354,324</u>	<u>\$0</u>	<u>\$6,397,109</u>

Significant capital asset additions included the completion of the Auto body expansion and the beginning stages of the kitchen renovation at the Edtech Center.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Lapeer Intermediate School District.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENTS OF NET ASSETS  
JUNE 30, 2004 AND 2003

	Governmental Activities	
	2004	2003
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$6,175,206	\$5,375,003
Accounts Receivable	33,773	220,854
Interest Receivable	3,841	4,618
Taxes Receivable	5,691	22,357
Due from Other Governmental Units	823,346	1,167,749
Inventory	9,604	9,603
Total Current Assets	<u>\$7,051,461</u>	<u>\$6,800,184</u>
<u>NON-CURRENT ASSETS</u>		
Construction in Progress	100,755	61,087
Capital Assets	9,578,499	9,026,664
Less: Accumulated Depreciation	(3,181,390)	(2,983,879)
Total Noncurrent Assets	<u>\$6,497,864</u>	<u>\$6,103,872</u>
<u>TOTAL ASSETS</u>	<u>\$13,549,325</u>	<u>\$12,904,056</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	130,177	158,236
Due to Other Governmental Units	0	50,520
Salaries Payable	457,957	471,437
Accrued Expenses	101,814	103,349
Deferred Revenue	114,382	98,622
Current Portion of Long-Term Obligations	195,000	205,000
Total Current Liabilities	<u>\$999,330</u>	<u>\$1,087,164</u>
<u>NON-CURRENT LIABILITIES</u>		
Noncurrent Portion of Long-Term Obligations	<u>2,060,975</u>	<u>2,340,270</u>
<u>TOTAL LIABILITIES</u>	<u>\$3,060,305</u>	<u>\$3,427,434</u>
<u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	4,826,261	4,227,269
Restricted for:		
Debt Service	76,124	68,285
Unrestricted	<u>5,586,635</u>	<u>5,181,068</u>
<u>TOTAL NET ASSETS</u>	<u>\$10,489,020</u>	<u>\$9,476,622</u>

See accompanying notes to the basic financial statements.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENTS OF ACTIVITIES  
JUNE 30, 2004 AND 2003

FUNCTIONS/PROGRAMS	2004			2003	
	Expenses	Charges For Services	Operating Grants and Contributions	Net (Expense) Revenue & Change in Net Assets	Net (Expense) Revenue & Change in Net Assets
Governmental Activities:					
Instruction	\$4,006,682	\$0	\$1,737,975	(\$2,268,707)	(\$2,176,456)
Support Services	7,560,795	917,276	2,515,982	(4,127,537)	(4,348,891)
Community Services	324,077	0	0	(324,077)	(221,712)
Interest - Long-Term Obligations	71,447	0	0	(71,447)	(94,015)
Depreciation - Unallocated	195,495	0	0	(195,495)	(194,879)
<u>TOTALS</u>	<u>\$12,158,496</u>	<u>\$917,276</u>	<u>\$4,253,957</u>	<u>(\$6,987,263)</u>	<u>(\$7,035,953)</u>
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes				6,590,630	6,324,085
State Aid				1,018,153	1,042,408
Grants and Contributions Not Restricted to					
Specific Programs				101,472	73,291
Investment Earnings				40,457	56,780
Miscellaneous				248,949	318,820
Total General Revenues and Transfers				<u>\$7,999,661</u>	<u>\$7,815,384</u>
Change in Net Assets				\$1,012,398	\$779,431
Net Assets - Beginning - As Restated				<u>9,476,622</u>	<u>8,697,191</u>
<u>Net Assets - Ending</u>				<u>\$10,489,020</u>	<u>\$9,476,622</u>

See accompanying notes to the basic financial statements.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	General Fund	Special Education Fund	Vocational Education Fund
<u>ASSETS</u>			
Cash and Cash Equivalents	\$1,126,808	\$1,752,753	\$3,013,885
Accounts Receivable	15,400	8,905	9,206
Interest Receivable	648	1,097	1,944
Taxes Receivable	330	1,595	3,569
Due from Other Governmental Units	250,983	401,689	161,895
Due from Other Funds	333,018	0	0
Inventory	0	0	9,604
<u>TOTAL ASSETS</u>	<u>\$1,727,187</u>	<u>\$2,166,039</u>	<u>\$3,200,103</u>
<u>LIABILITIES</u>			
Accounts Payable	\$25,964	\$24,762	\$74,257
Due to Other Funds	0	136,866	196,152
Salaries Payable	10,137	201,336	246,484
Accrued Expenses	2,563	41,115	48,042
Deferred Revenue	86,060	822	0
Total Liabilities	\$124,724	\$404,901	\$564,935
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	0	9,604
Debt Retirement	0	0	0
Unreserved:			
Undesignated, Reported In:			
General Fund	1,602,463	0	0
Special Education Fund	0	1,761,138	0
Vocational Education Fund	0	0	2,625,564
Cooperative Education Fund	0	0	0
Total Fund Balances	\$1,602,463	\$1,761,138	\$2,635,168
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$1,727,187</u>	<u>\$2,166,039</u>	<u>\$3,200,103</u>

See accompanying notes to the basic financial statements.



LAPEER INTERMEDIATE SCHOOL DISTRICT  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004

		Total Governmental Fund Balances:	\$6,257,225
Other Governmental Funds	Total Governmental Funds	Amounts reported for governmental activities in the statement of net assets are different because:	
\$281,760	\$6,175,206		
262	33,773	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$9,578,499 and the accumulated depreciation is \$3,181,390	6,397,109
152	3,841		
197	5,691		
8,779	823,346		
0	333,018		
0	9,604	Construction in Progress	100,755
\$291,150	\$7,384,479	Accrued Interest on Long-Term Debt	(10,094)
\$5,194	\$130,177	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
0	333,018		
0	457,957		
0	91,720	Bonds Payable	\$1,671,603
27,500	114,382	Compensated Absences Payable	584,372
\$32,694	\$1,127,254	Total Long-Term Liabilities	(2,255,975)
		<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>	<u>\$10,489,020</u>
0	9,604		
76,124	76,124		
0	1,602,463		
0	1,761,138		
0	2,625,564		
182,332	182,332		
\$258,456	\$6,257,225		
\$291,150	\$7,384,479		

LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

	General	Special	Vocational
	Fund	Education	Education
	Fund	Fund	Fund
<u>REVENUES</u>			
Local Sources	\$1,071,228	\$2,312,495	\$4,384,508
State Sources	1,086,358	623,404	244,567
Federal Sources	38,399	2,353,855	408,469
Total Revenues	\$2,195,985	\$5,289,754	\$5,037,544
<u>EXPENDITURES</u>			
Current:			
Instruction	29,194	1,386,562	2,565,563
Student Services	2,421	1,199,359	347,217
Instructional Support	431,282	670,705	197,803
General Administration	536,620	0	11,977
School Administration	0	168,986	511,737
Business Administration	470,205	559	6,320
Operation & Maintenance of Plant	157,474	63,772	568,429
Transportation	0	10,271	0
Support Services - Other	922,001	69,401	451,182
Community Services	198	133,464	190,415
Debt Service	0	0	0
Cooperative Education	0	0	0
Total Expenditures	\$2,549,395	\$3,703,079	\$4,850,643
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(\$353,410)	\$1,586,675	\$186,901
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	325,000	(135,000)	(190,000)
Other Transfers	(84,113)	(983,988)	(12,028)
Total Other Financing Sources (Uses)	\$240,887	(\$1,118,988)	(\$202,028)
Net Change in Fund Balance	(\$112,523)	\$467,687	(\$15,127)
<u>FUND BALANCE - BEGINNING</u>	1,714,986	1,293,451	2,650,295
<u>FUND BALANCE - ENDING</u>	\$1,602,463	\$1,761,138	\$2,635,168

See accompanying notes to the basic financial statements.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004

		Total net change in fund balances - governmental funds	\$327,295
Other	Total		
Governmental	Governmental	Amounts reported for governmental activities in the statement of	
Funds	Funds	activities are different because:	
\$334,446	\$8,102,677		
0	1,954,329	Governmental funds report capital outlays as expenditures. However,	
0	2,800,723	in the statement of activities, the cost of those assets is allocated	
\$334,446	\$12,857,729	over their estimated useful lives as depreciation expense. This is	
		the amount by which capital outlay exceeded depreciation in the	
		current period.	293,237
0	3,981,319	Construction in Progress	100,755
0	1,548,997		
0	1,299,790	Repayment of bond principal is an expenditure in the governmental	
0	548,597	funds, but the repayment reduces long-term liabilities in the statement	
0	680,723	of net assets. This is the amount of repayments reported as	
0	477,084	expenditures in the governmental funds.	205,000
0	789,675		
0	10,271	Change in accrued interest on long-term liabilities	1,816
0	1,442,584		
0	324,077	Decrease in accrued compensated absences	84,295
278,263	278,263		
57,721	57,721	<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>\$1,012,398</u>
\$335,984	\$11,439,101		
(\$1,538)	\$1,418,628		
0	0		
(11,204)	(1,091,333)		
(\$11,204)	(\$1,091,333)		
(\$12,742)	\$327,295		
271,198	5,929,930		
\$258,456	\$6,257,225		

LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2004

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	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$58,753</u>
<u>TOTAL ASSETS</u>	<u>\$58,753</u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$58,753</u>
<u>TOTAL LIABILITIES</u>	<u>\$58,753</u>

See accompanying notes to the basic financial statements.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

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1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lapeer County Intermediate School District conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Fund

The Special Revenue Fund is used to account for activities where there is a need to determine the results of operations. The Special Revenue Funds presented in this report include the Special Education Fund, Vocational Education Fund and the Cooperative Education Fund.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS (Continued)

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.



LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

O) RECLASSIFICATIONS

Certain reclassifications have been made to the prior year financial statements to conform to current year presentation.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

4) DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits - The Board of Education authorized the following financial institutions for the deposit of the District's funds for the year ended June 30, 2004: National City, Lapeer County Bank & Trust, Bank One, Comerica Municipality Groupbank, Michigan School District Liquid Asset Fund (MILAF) and Fifth Third Bank. The Board also authorized the business office to invest funds with financial institutions that gave the maximum interest rate of return upon receipt of quotes.

The District's deposits are in accordance with statutory authority.

At June 30, 2004, the carrying amount of the School District's deposits was \$6,233,959 and the bank balance was \$6,787,416. \$534,425 of the bank balance was covered by federal depository insurance and \$6,252,991 was uninsured and uncollateralized.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

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4) DEPOSITS AND INVESTMENTS (Continued)

Investments - The School District's investments are required to be categorized to give an indication of the level of risk assumed by the District at June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent but not in the School District's name.

The District had no investments at June 30, 2004.

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2004, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 342,244
Federal Grants	352,147
Other Grant Programs & Fees	<u>128,955</u>
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 823,346</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2004, the School District had \$41,153 of estimated claims payable in conjunction with the program.

8) SHORT-TERM DEBT

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2004.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2003</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2004</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$8,011,979	\$378,909	\$0	\$8,390,888
Land Improvements	29,726	12,625		42,351
Equipment and Furniture	984,959	208,512	48,211	1,145,260
Totals at Historical Cost	<u>\$9,026,664</u>	<u>\$600,046</u>	<u>\$48,211</u>	<u>\$9,578,499</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(2,266,496)	(201,342)		(2,467,838)
Land Improvements	(7,746)	(1,570)		(9,316)
Equipment and Furniture	(709,637)	(42,810)	(48,211)	(704,236)
Total Accumulated Depreciation	<u>(\$2,983,879)</u>	<u>(\$245,722)</u>	<u>(\$48,211)</u>	<u>(\$3,181,390)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$6,042,785</u>	<u>\$354,324</u>	<u>\$0</u>	<u>\$6,397,109</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 20,169
Support Services	30,058
Unallocated	<u>195,495</u>
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 245,722</u>

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2004 were \$32,289 and the School District received a dividend refund of \$27,999.

11) GENERAL LONG-TERM DEBT

A) 1994 ENERGY BONDS

The School District issued Energy Conservation Improvement Bonds dated December 1, 1994, for improvements to be made at the Vocational Technical Center. These General Obligation-Limited Tax bonds require 10 annual principal payments beginning May 1, 1995, and semi-annual interest payments at rates ranging from 6.1% to 8.0%. The balance at June 30, 2004 was \$0.

B) 1995 VOCATIONAL/TECHNOLOGY IMPROVEMENT BONDS (L.I.T.E.S.)

The School District issued Vocational/Technology Improvement Bonds dated September 1, 1995, for installing a fiber optic educational telecommunications system. These General Obligation-Limited Tax bonds require 10 annual payments beginning May 1, 1996, and semi-annual interest payments at rates ranging from 4.5% to 6.4%. The balance at June 30, 2004 was \$130,000.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

11) GENERAL LONG-TERM DEBT (Continued)

C) Durant Resolution Package Bonds

Lapeer County Intermediate School District issued Durant Resolution Bonds on November 24, 1998 in the amount of \$628,619.00 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2004 was \$401,603. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

D) 2000 School Building and Site Bonds

The School District issued Building and Site Bonds dated September 20, 2000 for improvements to be made at the Vocational Technical Center. These general obligation tax bonds require nine annual principal payments beginning May 1, 2002, and semi-annual interest payments at rates ranging from 4.5% to 5.125%. The balance at June 30, 2004 was \$1,140,000.

E) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2004 are as follows:

	BONDS		
	PAYABLE	INTEREST	TOTAL
June 30, 2005	\$195,000	\$60,565	\$255,565
June 30, 2006	230,427	65,116	295,543
June 30, 2007	231,869	53,417	285,286
June 30, 2008	258,394	42,700	301,094
June 30, 2009	259,985	30,535	290,520
June 30, 2010-2013	495,928	80,611	576,539
<u>TOTAL</u>	<u>\$1,671,603</u>	<u>\$332,944</u>	<u>\$2,004,547</u>

The payment dates of sick days payable is undeterminable.

The interest expenditures on long-term obligations for the year were \$ 71,350.

C) Changes in General Long-Term Debt

	BALANCE			BALANCE	AMOUNT DUE
<u>Governmental Activities:</u>	JULY 1, 2003	ADDITIONS	DEDUCTIONS	JUNE 30, 2004	IN ONE YEAR
Bonds Payable	\$1,876,603	\$0	\$205,000	\$1,671,603	\$195,000
Sick & Severance Pay	668,667	0	84,295	584,372	0
<u>Total Governmental Activities</u>	<u>\$2,545,270</u>	<u>\$0</u>	<u>\$289,295</u>	<u>\$2,255,975</u>	<u>\$195,000</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

12) OPERATING LEASES

The District entered into a operating lease with Toshiba Business Solutions for copiers on September 24, 2002. The lease payment is \$1,545 per month for a period of sixty months. Expense for the fiscal year ended June 30, 2004 was \$18,545.

Future minimum payments for the operating leases is as follows:

June 30, 2005	\$ 18,545
June 30, 2006	18,545
June 30, 2007	18,545
June 30, 2008	<u>6,182</u>
 <u>TOTALS</u>	 <u>\$ 61,817</u>

13) INTERFUND BALANCES

Interfund balances at June 30, 2004 consisted of the following:

DUE TO		
DUE FROM		GENERAL
		FUND
	Special Education Fund	\$136,866
	Vocational Education	<u>196,152</u>
	<u>TOTAL</u>	<u>\$333,018</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004, consisted of the following:

TRANSFERS TO		
TRANSFERS FROM		GENERAL
		FUND
	Special Education Fund	\$135,000
	Vocational Education	<u>190,000</u>
	<u>TOTAL</u>	<u>\$325,000</u>

The transfers are reimbursements to the general fund from special education and vocational education funds for overhead costs that are calculated annually and approved by the board.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

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15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2003 through September 30, 2003 and 12.99 percent for the period October 1, 2003 through June 30, 2004 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2004, 2003 and 2002 were \$771,315, \$803,018 and \$708,792, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which is the Special Education Cluster. This program is subject to program compliance audits. The audit of this program for and including the year ended June 30, 2004, has been conducted and has been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

REQUIRED  
SUPPLEMENTARY  
INFORMATION



LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$1,197,755	\$1,030,068	\$1,071,228	\$41,160
State Sources	1,029,910	1,152,452	1,086,358	(66,094)
Federal Sources	24,355	65,491	38,399	(27,092)
Total Revenues	<u>\$2,252,020</u>	<u>\$2,248,011</u>	<u>\$2,195,985</u>	<u>(\$52,026)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	20,596	40,200	29,194	11,006
Student Services	0	19,215	2,421	16,794
Instructional Support	494,614	512,129	431,282	80,847
General Administration	543,271	576,895	536,620	40,275
Business Administration	452,928	484,670	470,205	14,465
Operation & Maintenance of Plant	221,600	219,610	157,474	62,136
Support Services - Other	935,417	1,007,483	922,001	85,482
Community Services	0	5,800	198	5,602
Total Expenditures	<u>\$2,668,426</u>	<u>\$2,866,002</u>	<u>\$2,549,395</u>	<u>\$316,607</u>
Excess of Revenues Over Expenditures	<u>(\$416,406)</u>	<u>(\$617,991)</u>	<u>(\$353,410)</u>	<u>\$264,581</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>232,283</u>	<u>230,079</u>	<u>240,887</u>	<u>10,808</u>
Net Change in Fund Balance	<u>(\$184,123)</u>	<u>(\$387,912)</u>	<u>(\$112,523)</u>	<u>\$275,389</u>
<u>FUND BALANCE - BEGINNING</u>			<u>1,714,986</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$1,602,463</u>	

LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
SPECIAL EDUCATION FUND  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$1,855,996	\$2,269,200	\$2,312,495	\$43,295
State Sources	923,505	626,324	623,404	(2,920)
Federal Sources	2,204,322	2,459,752	2,353,855	(105,897)
Total Revenues	<u>\$4,983,823</u>	<u>\$5,355,276</u>	<u>\$5,289,754</u>	<u>(\$65,522)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	1,563,853	1,480,642	1,386,562	94,080
Student Services	1,216,502	1,302,699	1,199,359	103,340
Instructional Support	746,659	765,367	670,705	94,662
School Administration	181,816	182,500	168,986	13,514
Business Administration	2,800	600	559	41
Operation & Maintenance of Plant	91,770	83,700	63,772	19,928
Transportation	0	10,000	10,271	(271)
Support Services - Other	75,000	81,223	69,401	11,822
Community Services	131,834	136,172	133,464	2,708
Total Expenditures	<u>\$4,010,234</u>	<u>\$4,042,903</u>	<u>\$3,703,079</u>	<u>\$339,824</u>
Excess of Revenues Over Expenditures	<u>\$973,589</u>	<u>\$1,312,373</u>	<u>\$1,586,675</u>	<u>\$274,302</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(803,200)</u>	<u>(1,158,288)</u>	<u>(1,118,988)</u>	<u>39,300</u>
Net Change in Fund Balance	<u>\$170,389</u>	<u>\$154,085</u>	<u>\$467,687</u>	<u>\$313,602</u>
<u>FUND BALANCE - BEGINNING</u>			<u>1,293,451</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$1,761,138</u>	

LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
VOCATIONAL EDUCATION FUND  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$4,502,173	\$4,500,315	\$4,384,508	(\$115,807)
State Sources	278,000	251,545	244,567	(6,978)
Federal Sources	411,797	435,153	408,469	(26,684)
Total Revenues	\$5,191,970	\$5,187,013	\$5,037,544	(\$149,469)
<u>EXPENDITURES</u>				
Current:				
Instruction	2,837,495	2,821,597	2,565,563	256,034
Student Services	401,322	359,400	347,217	12,183
Instructional Support	229,523	205,849	197,803	8,046
General Administration	30,000	28,500	11,977	16,523
School Administration	473,093	562,068	511,737	50,331
Business Administration	16,000	6,500	6,320	180
Operation & Maintenance of Plant	661,175	670,727	568,429	102,298
Support Services - Other	361,000	468,780	451,182	17,598
Community Services	78,710	219,727	190,415	29,312
Total Expenditures	\$5,088,318	\$5,343,148	\$4,850,643	\$492,505
Excess of Revenues Over Expenditures	\$103,652	(\$156,135)	\$186,901	\$343,036
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers to Other Funds	(262,203)	(203,145)	(202,028)	1,117
Net Change in Fund Balance	(\$158,551)	(\$359,280)	(\$15,127)	\$344,153
<u>FUND BALANCE - BEGINNING</u>			2,650,295	
<u>FUND BALANCE - ENDING</u>			\$2,635,168	

OTHER SUPPLEMENTAL  
INFORMATION

LAPEER INTERMEDIATE SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2004

	Debt Service Fund	Cooperative Education Fund	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$75,881	\$205,879	\$281,760
Accounts Receivable	0	262	262
Due From Other Governmental Units	0	8,779	8,779
Taxes Receivable	197	0	197
Interest Receivable	46	106	152
<u>TOTAL ASSETS</u>	<u>\$76,124</u>	<u>\$215,026</u>	<u>\$291,150</u>
<u>LIABILITIES</u>			
Accounts Payable	\$0	\$5,194	\$5,194
Deferred Revenue	0	27,500	27,500
Total Liabilities	\$0	\$32,694	\$32,694
<u>FUND BALANCES</u>			
Reserved For:			
Debt Retirement	76,124	0	76,124
Unreserved	0	182,332	182,332
Total Fund Balances	<u>\$76,124</u>	<u>\$182,332</u>	<u>\$258,456</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$76,124</u>	<u>\$215,026</u>	<u>\$291,150</u>

LAPEER INTERMEDIATE SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

	Debt Service Fund	Cooperative Education Fund	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$286,102	\$48,344	\$334,446
<u>OTHER FINANCING SOURCES (USES)</u>	<u>0</u>	<u>(11,204)</u>	<u>(11,204)</u>
Total Revenues & Other Financing Sources	\$286,102	\$37,140	\$323,242
<u>EXPENDITURES</u>			
Debt Service	278,263	0	278,263
Cooperative Education	<u>0</u>	<u>57,721</u>	<u>57,721</u>
Total Expenditures	<u>\$278,263</u>	<u>\$57,721</u>	<u>\$335,984</u>
Net Change in Fund Balance	\$7,839	(\$20,581)	(\$12,742)
<u>NET ASSETS - BEGINNING</u>	<u>68,285</u>	<u>202,913</u>	<u>271,198</u>
<u>NET ASSETS - ENDING</u>	<u>\$76,124</u>	<u>\$182,332</u>	<u>\$258,456</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
DEBT RETIREMENT FUND  
COMBINED BALANCE SHEET  
AS OF JUNE 30, 2004

	1994 ISSUE (ENERGY)	1995 ISSUE (L.I.T.E.S.)	2000 SCH BOND DEBT	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$0	\$12,285	\$63,596	\$75,881
Taxes Receivable	0	112	85	197
Interest Receivable	0	5	41	46
<u>TOTAL ASSETS</u>	<u>\$0</u>	<u>\$12,402</u>	<u>\$63,722</u>	<u>\$76,124</u>
<u>FUND EQUITY</u>				
Reserved - Debt Retirement	<u>\$0</u>	<u>\$12,402</u>	<u>\$63,722</u>	<u>\$76,124</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
DEBT RETIREMENT FUND  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2004

	1994 ISSUE (ENERGY)	1995 ISSUE (L.I.T.E.S.)	2000 SCH BOND DEBT	TOTAL
<u>REVENUES</u>				
<u>Local Sources</u>				
Property Taxes	\$58,091	\$128,412	\$98,780	\$285,283
Earnings on Investments and Deposit	121	268	430	819
Total Local Sources	<u>\$58,212</u>	<u>\$128,680</u>	<u>\$99,210</u>	<u>\$286,102</u>
<u>EXPENDITURES</u>				
Redemption of Bond Principal	60,000	120,000	25,000	205,000
Interest on Bonded Debt	3,960	11,940	55,450	71,350
Dues and Fees	1,288	350	275	1,913
Total Expenditures	<u>\$65,248</u>	<u>\$132,290</u>	<u>\$80,725</u>	<u>\$278,263</u>
<u>EXCESS REVENUES OVER (UNDER)</u>				
<u>EXPENDITURES</u>	<u>(\$7,036)</u>	<u>(\$3,610)</u>	<u>\$18,485</u>	<u>\$7,839</u>
<u>FUND BALANCE - BEGINNING</u>				
<u>  OF YEAR</u>	<u>\$7,036</u>	<u>\$16,012</u>	<u>\$45,237</u>	<u>\$68,285</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$0</u>	<u>\$12,402</u>	<u>\$63,722</u>	<u>\$76,124</u>



INDIVIDUAL FUND SCHEDULES OF  
REVENUES, EXPENDITURES AND  
OTHER FINANCING USES

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET	ACTUAL	VARIANCE
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Property Tax Levy	\$380,000	\$382,154	\$2,154
Interest on Investments	8,000	9,868	1,868
Rentals	22,800	22,800	0
Computer Service	200,000	223,200	23,200
Support Business Service	68,600	65,326	(3,274)
Marketing Revenue	40,000	49,499	9,499
Assessment Center Revenue	13,000	13,000	0
Courier Revenue	13,000	10,936	(2,064)
Tech Special Services	70,000	82,416	12,416
Other Business Revenue	86,000	89,393	3,393
Donations	500	350	(150)
Summer Camp	0	40	40
Inservice Revenue	9,000	13,829	4,829
TRI Co SIP	15,918	15,918	0
LEA General Education	95,000	85,554	(9,446)
Other Local Revenues	8,250	6,945	(1,305)
Total Revenues from Local Sources	\$1,030,068	\$1,071,228	\$41,160
<u>State Sources</u>			
State Aid - Sec. 81	956,076	955,291	(785)
Other State Aid	34,687	2,782	(31,905)
Gifted and Talented - Sec. 57	1,132	1,131	(1)
Math/Science - Sec. 99	97,695	64,292	(33,403)
Durant	62,862	62,862	0
Total Revenues from State Sources	\$1,152,452	\$1,086,358	(\$66,094)
<u>Federal Sources</u>			
Improving Teacher Quality	488	0	(488)
Title V	1,069	1,069	0
Serve MI Grant	25,509	20,961	(4,548)
Learn and Serve America Grant	38,425	16,369	(22,056)
Total Revenues from Federal Sources	\$65,491	\$38,399	(\$27,092)
Total Revenues	\$2,248,011	\$2,195,985	(\$52,026)
<u>OTHER FINANCING SOURCES</u>			
Transfer from Other Funds	325,000	325,000	0
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u>\$2,573,011</u>	<u>\$2,520,985</u>	<u>(\$52,026)</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET	ACTUAL	VARIANCE
<u>INSTRUCTION</u>			
Salaries - Professional	\$30,000	\$22,210	\$7,790
Fica, Retirement, Etc.	6,200	3,303	2,897
Purchased Services	4,000	3,681	319
Total Instruction	\$40,200	\$29,194	\$11,006
<u>SUPPORT SERVICES</u>			
<u>Pupil Services</u>			
Purchased Services	3,000	0	3,000
Supplies and Materials	16,215	2,421	13,794
Total Pupil Services	\$19,215	\$2,421	\$16,794
<u>Instructional Staff</u>			
Salaries - Professional	223,463	193,032	30,431
Salaries - Non-Professional	43,700	39,384	4,316
Insurances	50,360	45,105	5,255
Fica, Retirement, Etc.	67,485	66,245	1,240
Purchased Services	79,013	54,070	24,943
Supplies and Materials	45,308	33,071	12,237
Capital Outlay	2,000	0	2,000
Other	800	375	425
Total Instructional Staff	\$512,129	\$431,282	\$80,847
<u>General Administration</u>			
Salaries - Professional	260,170	252,492	7,678
Salaries - Non-Professional	73,200	73,121	79
Insurances	44,725	44,658	67
Fica, Retirement, Etc.	67,700	64,034	3,666
Other Benefits	14,450	10,916	3,534
Purchased Services	84,000	67,868	16,132
Supplies and Materials	13,450	11,110	2,340
Capital Outlay	2,500	927	1,573
Other	16,700	11,494	5,206
Total General Administration	\$576,895	\$536,620	\$40,275
<u>Business Administration</u>			
Salaries - Professional	194,500	190,161	4,339
Salaries - Non-Professional	119,910	118,644	1,266
Insurances	81,600	81,208	392
Fica, Retirement, Etc.	64,625	61,451	3,174
Purchased Services	8,935	7,724	1,211
Supplies and Materials	7,400	4,957	2,443
Capital Outlay	6,000	4,880	1,120
Other	1,700	1,180	520
Total Business Administration	\$484,670	\$470,205	\$14,465

## LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT

## GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET	ACTUAL	VARIANCE
<u>SUPPORT SERVICES</u> (Continued)			
<u>Operation and Maintenance</u>			
Salaries - Professional	\$50,500	\$49,925	\$575
Salaries - Non-Professional	42,930	30,300	12,630
Insurances	5,060	4,465	595
Fica, Retirement, Etc.	19,350	16,597	2,753
Other Benefits	1,300	1,299	1
Purchased Services	63,360	25,041	38,319
Supplies and Materials	30,750	27,605	3,145
Capital Outlay	6,000	2,242	3,758
Other	360	0	360
Total Operation and Maintenance	\$219,610	\$157,474	\$62,136
<u>Other Support Services</u>			
Salaries - Professional	233,825	229,166	4,659
Salaries - Non-Professional	247,490	230,559	16,931
Insurances	88,900	88,596	304
Fica, Retirement, Etc.	99,158	94,324	4,834
Other Benefits	1,950	1,949	1
Purchased Services	94,185	78,048	16,137
Supplies and Materials	213,675	179,936	33,739
Capital Outlay	26,700	18,923	7,777
Other	1,600	500	1,100
Total Other Support Services	\$1,007,483	\$922,001	\$85,482
Total Support Services	\$2,820,002	\$2,520,003	\$299,999
<u>COMMUNITY SERVICES</u>			
Purchased Services	5,200	70	5,130
Supplies and Materials	600	128	472
Total Community Services	\$5,800	\$198	\$5,602
Total Expenditures	\$2,866,002	\$2,549,395	\$316,607
<u>OTHER FINANCING USES</u>			
Transfers to Other Governmental Units	30,259	20,961	9,298
Chargebacks - Property Tax	1,800	290	1,510
Other Transactions	62,862	62,862	0
Total Other Financing Uses	\$94,921	\$84,113	\$10,808
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	\$2,960,923	\$2,633,508	\$327,415

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SPECIAL EDUCATION FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET	ACTUAL	VARIANCE
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Property Tax Levy	\$1,860,000	\$1,846,861	(\$13,139)
Earnings on Investments and Deposits	7,000	10,383	3,383
Medicaid	400,000	453,631	53,631
Other Local Revenues	2,200	1,620	(580)
Total Revenues from Local Sources	\$2,269,200	\$2,312,495	\$43,295
<u>State Sources</u>			
Special Education	573,899	571,786	(2,113)
Other State Grants	52,425	51,618	(807)
Total Revenues from State Sources	\$626,324	\$623,404	(\$2,920)
<u>Federal Sources</u>			
I.D.E.A. Flowthrough	2,033,207	1,943,795	(89,412)
I.D.E.A. Preschool Incentive	110,645	110,645	0
State Initiated Grants	40,000	40,000	0
Transition Services	70,000	57,800	(12,200)
Capacity Building	36,508	36,496	(12)
Special Ed Technology, Materials and Training	3,062	3,062	0
Medicaid Administrative Outreach	20,000	18,637	(1,363)
Infant Toddler Grant	146,330	143,420	(2,910)
Total Revenues from Federal Sources	\$2,459,752	\$2,353,855	(\$105,897)
Total Revenues	\$5,355,276	\$5,289,754	(\$65,522)
<u>OTHER FINANCING SOURCES</u>			
Transfers from Other Districts	150,000	147,450	(2,550)
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u>\$5,505,276</u>	<u>\$5,437,204</u>	<u>(\$68,072)</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SPECIAL EDUCATION FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

<u>INSTRUCTION</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>Added Needs</u>			
Salaries - Professional	\$522,079	\$513,850	\$8,229
Salaries - Non-Professional	421,481	379,089	42,392
Insurances	214,735	198,060	16,675
Fica, Retirement, Etc.	191,738	185,688	6,050
Other Benefits	5,479	5,739	(260)
Purchased Services	89,350	74,883	14,467
Supplies and Materials	20,050	14,537	5,513
Capital Outlay	15,300	14,666	634
Other	430	50	380
Total Instruction	\$1,480,642	\$1,386,562	\$94,080
 <u>SUPPORT SERVICES</u>			
<u>Pupil Services</u>			
Salaries - Professional	743,407	740,631	2,776
Salaries - Non-Professional	62,663	40,070	22,593
Insurances	161,453	149,089	12,364
Fica, Retirement, Etc.	164,779	161,188	3,591
Other Benefits	2,272	2,220	52
Purchased Services	103,200	56,420	46,780
Supplies and Materials	38,050	27,449	10,601
Capital Outlay	25,350	21,803	3,547
Other	1,525	489	1,036
Total Pupil Services	\$1,302,699	\$1,199,359	\$103,340
 <u>Instructional Staff</u>			
Salaries - Professional	274,500	268,458	6,042
Salaries - Non-Professional	107,195	101,667	5,528
Insurances	63,110	62,917	193
Fica, Retirement, Etc.	78,980	75,402	3,578
Other Benefits	1,860	1,787	73
Purchased Services	164,925	100,259	64,666
Supplies and Materials	60,597	38,974	21,623
Capital Outlay	9,900	17,837	(7,937)
Other	4,300	3,404	896
Total Instructional Staff	\$765,367	\$670,705	\$94,662
 <u>School Administration</u>			
Salaries - Professional	76,200	74,687	1,513
Salaries - Non-Professional	32,750	32,438	312
Insurances	26,000	25,934	66
Fica, Retirement, Etc.	23,800	22,113	1,687
Purchased Services	11,200	4,082	7,118
Supplies and Materials	5,000	2,697	2,303
Capital Outlay	6,600	6,446	154
Other	950	589	361
Total School Administration	\$182,500	\$168,986	\$13,514

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SPECIAL EDUCATION FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>SUPPORT SERVICES (Continued)</u>			
<u>Business Administration</u>			
Purchased Services	\$600	\$559	\$41
<u>Operation and Maintenance</u>			
Salaries - Non-Professional	21,000	16,852	4,148
Insurances	4,200	3,816	384
Fica, Retirement, Etc.	4,400	3,478	922
Purchased Services	17,900	10,165	7,735
Supplies and Materials	34,200	28,975	5,225
Capital Outlay	2,000	486	1,514
Total Operation and Maintenance	<u>\$83,700</u>	<u>\$63,772</u>	<u>\$19,928</u>
<u>Transportation</u>			
Purchased Services	10,000	10,271	(271)
<u>Other Support Services</u>			
Salaries - Professional	26,915	26,915	0
Insurances	4,753	4,753	0
Fica, Retirement, Etc.	5,555	5,555	0
Purchased Services	3,000	1,571	1,429
Supplies and Materials	1,000	573	427
Capital Outlay	40,000	30,034	9,966
Total Other Support Services	<u>\$81,223</u>	<u>\$69,401</u>	<u>\$11,822</u>
<u>Total Support Services</u>	<u>\$2,426,089</u>	<u>\$2,183,053</u>	<u>\$243,036</u>
<u>COMMUNITY SERVICES</u>			
Salaries - Professional	3,928	3,927	1
Fica, Retirement, Etc.	812	810	2
Purchased Services	126,246	125,310	936
Supplies and Materials	5,086	3,417	1,669
Other	100	0	100
<u>Total Community Services</u>	<u>\$136,172</u>	<u>\$133,464</u>	<u>\$2,708</u>
<u>Total Expenditures</u>	<u>\$4,042,903</u>	<u>\$3,703,079</u>	<u>\$339,824</u>
<u>OTHER FINANCING USES</u>			
Transfer to Other Governmental Units	1,170,788	1,130,201	40,587
Chargebacks - Property Taxes	2,500	1,237	1,263
Transfer to Other Funds	135,000	135,000	0
<u>Total Other Financing Uses</u>	<u>\$1,308,288</u>	<u>\$1,266,438</u>	<u>\$41,850</u>
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$5,351,191</u>	<u>\$4,969,517</u>	<u>\$381,674</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
VOCATIONAL EDUCATION FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET	ACTUAL	VARIANCE
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Property Tax Levy	\$4,110,000	\$4,076,332	(\$33,668)
Earnings on Investments and Deposits	13,000	17,809	4,809
Adult Ed	101,700	63,427	(38,273)
Community Revenue	137,750	131,803	(5,947)
Assessment Revenue	2,500	6,519	4,019
Program Sales	115,600	69,831	(45,769)
Other Local Revenues	19,765	18,787	(978)
Total Revenues from Local Sources	\$4,500,315	\$4,384,508	(\$115,807)
<u>State Sources</u>			
State Aid - Added Cost - Sec. 61a.1	195,789	188,858	(6,931)
State Aid - Voc. Ed Millage Equalization Sec. 62	55,756	55,709	(47)
Total Revenues from State Sources	\$251,545	\$244,567	(\$6,978)
<u>Federal Sources</u>			
Workforce Investment Act	74,993	48,614	(26,379)
Adult Education (ABE)	169,836	169,531	(305)
Tech Prep Program	36,265	36,265	0
Perkins Grant	154,059	154,059	0
Total Revenues from Federal Sources	\$435,153	\$408,469	(\$26,684)
Total Revenues	\$5,187,013	\$5,037,544	(\$149,469)
<u>OTHER FINANCING SOURCES</u>			
Transfer from Other Districts	54,275	40,281	(13,994)
Other Transfers	98,580	109,155	10,575
Total Other Financing Sources	\$152,855	\$149,436	(\$3,419)
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u>\$5,339,868</u>	<u>\$5,186,980</u>	<u>(\$152,888)</u>



LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
VOCATIONAL EDUCATION FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET	ACTUAL	VARIANCE
<u>INSTRUCTION</u>			
<u>Added Needs</u>			
Salaries - Professional	\$1,113,192	\$1,089,396	\$23,796
Salaries - Non-Professional	339,435	295,825	43,610
Insurances	260,400	245,893	14,507
Fica, Retirement, Etc.	302,180	284,270	17,910
Other Benefits	4,150	4,115	35
Purchased Services	137,805	115,890	21,915
Supplies and Materials	285,510	214,763	70,747
Capital Outlay	212,087	155,453	56,634
Other	7,000	8,970	(1,970)
Total Added Needs	\$2,661,759	\$2,414,575	\$247,184
<u>Adult Continuing Education</u>			
Salaries - Professional	79,600	73,842	5,758
Salaries - Non-Professional	7,110	4,941	2,169
Insurance	442	442	0
Fica, Retirement, Etc.	21,184	20,863	321
Purchased Services	9,500	9,609	(109)
Supplies and Materials	37,602	37,640	(38)
Capital Outlay	3,400	3,197	203
Other	1,000	454	546
Total Adult Continuing Education	\$159,838	\$150,988	\$8,850
<u>Total Instruction</u>	\$2,821,597	\$2,565,563	\$256,034
<u>SUPPORT SERVICES</u>			
<u>Pupil Services</u>			
Salaries - Professional	207,300	203,946	3,354
Salaries - Non-Professional	27,850	26,110	1,740
Insurance	36,700	35,585	1,115
Fica, Retirement, Etc.	48,700	46,885	1,815
Other Benefits	1,300	1,299	1
Purchased Services	28,600	28,202	398
Supplies and Materials	7,400	3,891	3,509
Capital Outlay	1,350	1,260	90
Other	200	39	161
Total Pupil Services	\$359,400	\$347,217	\$12,183

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
VOCATIONAL EDUCATION FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET	ACTUAL	VARIANCE
<u>SUPPORT SERVICES</u> (Continued)			
<u>Instructional Staff</u>			
Salaries - Professional	\$12,049	\$8,974	\$3,075
Salaries - Non-Professional	81,394	78,654	2,740
Insurances	60,045	60,045	0
Fica, Retirement, Etc.	19,089	18,086	1,003
Purchased Services	24,827	24,658	169
Supplies and Materials	7,445	7,386	59
Other	1,000	0	1,000
Total Instructional Staff	\$205,849	\$197,803	\$8,046
<u>General Administration</u>			
Purchased Services	25,000	10,286	14,714
Other	3,500	1,691	1,809
Total General Administration	\$28,500	\$11,977	\$16,523
<u>School Administration</u>			
Salaries - Professional	188,400	177,602	10,798
Salaries - Non-Professional	163,870	157,621	6,249
Insurances	57,712	56,120	1,592
Fica, Retirement, Etc.	84,396	74,195	10,201
Other Benefits	1,628	1,624	4
Purchased Services	33,950	22,946	11,004
Supplies and Materials	21,600	14,105	7,495
Capital Outlay	8,512	5,743	2,769
Other	2,000	1,781	219
Total School Administration	\$562,068	\$511,737	\$50,331
<u>Business Administration</u>			
Purchased Services	6,500	6,320	180
<u>Operation and Maintenance of Plant</u>			
Salaries - Non-Professional	197,830	191,557	6,273
Insurances	44,900	43,669	1,231
Fica, Retirement, Etc.	42,527	41,130	1,397
Purchased Services	140,100	114,611	25,489
Supplies and Materials	208,550	167,412	41,138
Capital Outlay	35,000	8,270	26,730
Other	1,820	1,780	40
Total Operation and Maintenance of Plant	\$670,727	\$568,429	\$102,298

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
VOCATIONAL EDUCATION FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET	ACTUAL	VARIANCE
<u>SUPPORT SERVICES</u> (Continued)			
<u>Other Support Services</u>			
Salaries - Non-Professional	\$21,700	\$21,081	\$619
Insurances	8,150	8,129	21
Fica, Retirement, Etc.	4,800	4,351	449
Purchased Services	2,300	1,070	1,230
Supplies and Materials	6,780	6,813	(33)
Capital Outlay	425,000	409,738	15,262
Other	50	0	50
Total Other Support Services	<u>\$468,780</u>	<u>\$451,182</u>	<u>\$17,598</u>
<u>Total Support Services</u>	<u>\$2,301,824</u>	<u>\$2,094,665</u>	<u>\$207,159</u>
<u>COMMUNITY SERVICES</u>			
Salaries - Professional	103,845	93,866	9,979
Salaries - Non-Professional	4,700	4,740	(40)
Insurances	400	355	45
Fica, Retirement, Etc.	24,621	22,389	2,232
Purchased Services	47,942	39,186	8,756
Supplies and Materials	37,169	28,912	8,257
Capital Outlay	500	450	50
Other	550	517	33
<u>Total Community Services</u>	<u>\$219,727</u>	<u>\$190,415</u>	<u>\$29,312</u>
<u>Total Expenditures</u>	<u>\$5,343,148</u>	<u>\$4,850,643</u>	<u>\$492,505</u>
<u>OTHER FINANCING USES</u>			
Transfers to Other Funds	190,000	190,000	0
Chargeback - Property Taxes	5,000	2,846	2,154
Transfers to Other Governmental Units	161,000	158,618	2,382
<u>Total Other Financing Uses</u>	<u>\$356,000</u>	<u>\$351,464</u>	<u>\$4,536</u>
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$5,699,148</u>	<u>\$5,202,107</u>	<u>\$497,041</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
COOPERATIVE EDUCATION FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Earnings on Investments and Deposits	\$1,500	\$1,578	\$78
Other Local Revenues	41,400	46,766	5,366
Total Revenues from Local Sources	<u>\$42,900</u>	<u>\$48,344</u>	<u>\$5,444</u>
 <u>OTHER FINANCING SOURCES</u>			
Transfers from Other Governmental Units	<u>22,000</u>	<u>16,279</u>	<u>(5,721)</u>
 <u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	 <u>\$64,900</u>	 <u>\$64,623</u>	 <u>(\$277)</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
COOPERATIVE EDUCATION FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

<u>INSTRUCTION</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>Lites Instructional Staff</u>			
Fica, Retirement, Etc.	\$8,100	\$5,194	\$2,906
<u>SUPPORT SERVICES</u>			
<u>Operation and Maintenance</u>			
Purchased Services	47,250	35,097	12,153
Supplies and Materials	2,500	345	2,155
Capital Outlay	42,680	16,962	25,718
Other	1,800	123	1,677
Total Operation and Maintenance	<u>\$94,230</u>	<u>\$52,527</u>	<u>\$41,703</u>
Total Expenditures	\$102,330	\$57,721	\$44,609
<u>OTHER FINANCING USES</u>			
Payments to Other Governmental Units	<u>30,000</u>	<u>27,483</u>	<u>2,517</u>
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$132,330</u>	<u>\$85,204</u>	<u>\$47,126</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
TRUST AND AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2004

	DUE TO (FROM) STUDENT ACTIVITIES AND OTHER ORGANIZATIONS			DUE TO (FROM) STUDENT ACTIVITIES AND OTHER ORGANIZATIONS
	JULY 1, 2003	RECEIPTS	DISBURSEMENTS	JUNE 30, 2004
<u>Student/Other Groups</u>				
Administration	\$77	\$845	\$915	\$7
Business Professionals of America	15,637	4,922	13,233	7,326
Childcare	305	466	493	278
D.E.C.A. Club	4,238	28,105	26,065	6,278
F.F.A. Alumni	3,202	2,318	3,695	1,825
F.F.A. Club	8,785	43,895	47,562	5,118
H.O.S.A. Club	4,270	3,026	2,922	4,374
ISD	1,014	387	228	1,173
Special Education	2,087	4,269	3,261	3,095
Student Council	491	3	0	494
V.I.C.A. Mechanical Const. Ag. Mechanics/Diesel	6,876	4,148	4,075	6,949
V.I.C.A. Club	114	1,318	800	632
Building Trades - V.I.C.A. Club	1,945	4,759	3,877	2,827
Culinary Arts - V.I.C.A. Club	3,592	2,800	1,895	4,497
Industrial Electronics V.I.C.A. Club	7,309	29,007	29,744	6,572
Metal Machining - V.I.C.A. Club	559	1,059	1,061	557
Public Safety - VICA	0	1,347	1,221	126
V.I.C.A. Auto Body	500	1,542	1,939	103
V.I.C.A. Cad	5,231	3,725	2,434	6,522
<u>TOTALS</u>	<u>\$66,232</u>	<u>\$137,941</u>	<u>\$145,420</u>	<u>\$58,753</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

1995 VOCATIONAL/TECHNOLOGY IMPROVEMENT BONDS

Date of Issue: September 1, 1995

Amount Authorized: \$995,000

<u>DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>TOTAL</u>
2004-2005	4.80%	<u>\$130,000</u>	<u>\$3,120</u>	<u>\$3,120</u>	<u>\$136,240</u>

1998 DURANT RESOLUTION PACKAGE BONDS

Date of Issue - November 24, 1998

Original amount of issue - \$628,619

<u>PAYMENT DATE - MAY 15TH</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL FISCAL YEAR REQUIREMENTS</u>
2005	\$0	4.761353%	\$0	\$0
2006	30,427	4.761353%	13,716	44,143
2007	31,869	4.761353%	12,267	44,136
2008	33,394	4.761353%	10,750	44,144
2009	34,985	4.761353%	9,160	44,145
2010	150,179	4.761353%	58,134	208,313
2011	38,394	4.761353%	5,749	44,143
2012	40,220	4.761353%	3,921	44,141
2013	<u>42,135</u>	4.761353%	<u>2,006</u>	<u>44,141</u>
<u>TOTAL</u>	<u>\$401,603</u>		<u>\$115,703</u>	<u>\$517,306</u>

2000 SCHOOL BUILDING & SITE BONDS

Date of Issue: September 20, 2000

Amount Authorized: \$1,215,000

<u>DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>TOTAL</u>
2004-2005	4.50%	\$65,000	\$27,219	\$27,219	\$119,438
2005-2006	5.13%	200,000	25,756	25,756	251,512
2006-2007	4.60%	200,000	20,631	20,631	241,262
2007-2008	4.70%	225,000	16,031	16,031	257,062
2008-2009	4.75%	225,000	10,744	10,744	246,488
2009-2010	4.80%	<u>225,000</u>	<u>5,400</u>	<u>5,400</u>	<u>235,800</u>
<u>TOTALS</u>		<u>\$1,140,000</u>	<u>\$105,781</u>	<u>\$105,781</u>	<u>\$1,351,562</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT

LAPEER, MICHIGAN

FEDERAL AWARDS  
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2004



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*Lewis & Knopf, CPAs, P.C.*

"Serving You with Trust and Integrity"

September 1, 2004

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of  
Lapeer County Intermediate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lapeer County Intermediate School District, as of and for the year ended June 30, 2004, which collectively comprise the Lapeer County Intermediate School District's basic financial statements and have issued our report thereon dated September 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lapeer County Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Lapeer County Intermediate School District, in a separate letter dated September 1, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lapeer County Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Lapeer County Intermediate School District, in a separate letter dated September 1, 2004.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lewis & Knopf, P.C.*

LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



*Lewis & Knopf, CPAs, P.C.*

"Serving You with Trust and Integrity"

September 1, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

To the Board of Education of  
Lapeer County Intermediate School District

Compliance

We have audited the compliance of Lapeer County Intermediate School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Lapeer County Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lapeer County Intermediate School District's management. Our responsibility is to express an opinion on Lapeer County Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lapeer County Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lapeer County Intermediate School District's compliance with those requirements.

In our opinion, Lapeer County Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2004-1.

Internal Control Over Compliance

The management of Lapeer County Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lapeer County Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



Lapeer County Intermediate School District  
Page 2  
September 1, 2004

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Adult Education - State Grant Program	84.002		
Basic Grant Programs			
ABE - Instruction (03-04)		041190-411083	\$3,577
ABE - Instruction (03-04)		041130-411083	166,259
ABE - Instruction (02-03)		031130-311082	7,119
ABE - Instruction (02-03)		031130-311082	141,526
ABE - Institutional (02-03)		031190-311082	11,350
Total Adult Ed. - State Grant Program			<u>\$329,831</u>
Special Education - Grants to States	84.027		
Flow Through (03-04)		040450-0304	1,810,355
Flow Through (02-03) Carryover		030450-0203C	222,852
Flow Through (01-02) Carryover		020450-0203	195,614
Flow Through (02-03)		030450-0203	1,563,936
Total Special Education - Grants to States			<u>\$3,792,757</u>
State Initiated Competitive (03-04)	84.027	040480-EOSD	40,000
Capacity Building Grant (03-04)	84.027	040490-CB	36,508
Capacity Building Grant (02-03)		030490-CB	43,705
Total Capacity Building Grant			<u>\$80,213</u>
Transitional Services (03-04)	84.027	040490TS	70,000
Transitional Services (02-03)		030490-TS	62,524
Total Transitional Services			<u>\$132,524</u>
Total Special Education - Grants to States			<u>\$4,045,494</u>
Special Education - Preschool Grants	84.173		
Preschool Incentive (02-03)		030460-0203	110,696
Preschool Incentive (03-04)		040460-0304	110,645
Total Special Education - Preschool Grants			<u>\$221,341</u>
Special Education - Infant & Toddler Formula Grants	84.181		
Infant & Toddler (03-04)		041340-190	133,116
Infant & Toddler (02-03) Carryover		031340-190C	13,214
Infant & Toddler (02-03)		031340-190	106,498
Total Special Education - Infant & Toddler Formula Grant			<u>\$252,828</u>
Eisenhower Professional Development	84.281		
Eisenhower (02-03)		020270-0203	15,069
Title V Innovative Education Grant	84.298		
Title V (03-04)		040250-0304	1,069
Title V (02-03)		030250-0203	976
Total Title V Innovative Education Grants			<u>\$2,045</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2003	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004
\$0	\$0	\$3,577	\$0	\$2,173	\$1,404
0	0	165,954	0	145,286	20,668
7,119	7,119	0	0	7,119	0
35,843	141,526	0	0	35,843	0
10,062	11,350	0	0	10,062	0
\$53,024	\$159,995	\$169,531	\$0	\$200,483	\$22,072
0	0	1,720,943	0	1,479,818	241,125
0	0	222,852	0	222,852	0
64,420	195,614	0	0	64,420	0
198,148	1,563,936	0	0	198,148	0
\$262,568	\$1,759,550	\$1,943,795	\$0	\$1,965,238	\$241,125
0	0	40,000	0	40,000	0
0	0	36,496	0	14,504	21,992
25,287	43,705	0	0	25,287	0
\$25,287	\$43,705	\$36,496	\$0	\$39,791	\$21,992
0	0	57,800	0	47,387	10,413
7,730	62,524	0	0	7,730	0
\$7,730	\$62,524	\$57,800	\$0	\$55,117	\$10,413
\$295,585	\$1,865,779	\$2,078,091	\$0	\$2,100,146	\$273,530
6,707	110,696	0	0	6,707	0
	0	110,645	0	102,345	8,300
\$6,707	\$110,696	\$110,645	\$0	\$109,052	\$8,300
0	0	130,206	0	116,884	13,322
0	0	13,214	0	13,214	0
26,780	106,498	0	0	26,780	0
\$26,780	\$106,498	\$143,420	\$0	\$156,878	\$13,322
3,133	15,069	0	0	3,133	0
0	0	1,069	0	1,069	0
768	976	0	0	768	0
\$768	\$976	\$1,069	\$0	\$1,837	\$0

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Improving Teacher Quality	84.367		
Title IIa (03-04)		040520-0304	\$488
Title IIa (02-03)		030520-0203	478
Total Improving Teacher Quality			<u>\$966</u>
Total Passed Through the Michigan Department of Education			<u>\$4,867,574</u>
Passed Through Sanilac Intermediate School District			
Vocational Education - Basic Grants to States	84.048		
Perkins Secondary Regional Allocation (02-03)		033520-9211	166,244
Perkins Secondary Regional Allocation (03-04)		043520-0304	154,059
Total Vocational Education - Basic Grants to States			<u>\$320,303</u>
Passed Through Huron Intermediate School District			
Tech-Prep Education	84.243		
Voc Ed - Tech Prep Implementation (03-04)		043540-2711	36,265
Voc Ed - Tech Prep Implementation (01-02)		023540-3411	39,535
Voc Ed - Tech Prep Implementation (02-03)		033540-3411	46,054
Total Tech-Prep Education			<u>\$121,854</u>
Passed Through Genesee Intermediate School District:			
Special Education Grants to States	84.027		
Special Ed Technology, Materials and Training (03-04)		040480-TMT	<u>3,062</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u>\$5,312,793</u>
<u>U.S. EMPLOYMENT &amp; TRAINING ADMINISTRATION</u>			
Passed Through Thumb Area - Michigan Works			
Workforce Investment Act	17.259		
WIA (02-03)		N/A	50,000
WIA (03-04)		N/A	<u>50,000</u>
<u>TOTAL U.S. EMPLOYMENT &amp; TRAINING ADMINISTRATION</u>			<u>\$100,000</u>
<u>CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICE</u>			
Passed through Michigan Department of Education			
Serve America	94.004		
Serve Michigan Grant (02-03)		30600-36273	20,000
Serve Michigan Grant (03-04)		30600-36275	22,500
Total Serve America			<u>\$42,500</u>
Passed Through Michigan Community Service Commission			
Learn and Serve America Grant		30600-36373	<u>38,425</u>
<u>TOTAL CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICE</u>			<u>\$80,925</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2003	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004
\$0	\$0	\$0	\$0	\$0	\$0
478	478	0	0	478	0
<u>\$478</u>	<u>\$478</u>	<u>\$0</u>	<u>\$0</u>	<u>\$478</u>	<u>\$0</u>
\$386,475	\$2,259,491	\$2,502,756	\$0	\$2,572,007	\$317,224
18,366	166,244	0	0	18,366	0
0	0	154,059	0	154,059	0
<u>\$18,366</u>	<u>\$166,244</u>	<u>\$154,059</u>	<u>\$0</u>	<u>\$172,425</u>	<u>\$0</u>
0	0	36,265	0	36,265	0
23,541	38,838	0	(23,541)	0	0
18,167	31,500	0	0	18,167	0
<u>\$41,708</u>	<u>\$70,338</u>	<u>\$36,265</u>	<u>(\$23,541)</u>	<u>\$54,432</u>	<u>\$0</u>
0	0	3,062	0	3,062	0
\$446,549	\$2,496,073	\$2,696,142	(\$23,541)	\$2,801,926	\$317,224
12,292	17,292	24,993	0	37,285	0
0	0	23,622	0	15,000	8,622
<u>\$12,292</u>	<u>\$17,292</u>	<u>\$48,615</u>	<u>\$0</u>	<u>\$52,285</u>	<u>\$8,622</u>
8,264	16,991	3,009	0	11,273	0
0	0	17,951	0	8,019	9,932
<u>\$8,264</u>	<u>\$16,991</u>	<u>\$20,960</u>	<u>\$0</u>	<u>\$19,292</u>	<u>\$9,932</u>
0	0	16,369	0	0	16,369
\$8,264	\$16,991	\$37,329	\$0	\$19,292	\$26,301



LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Medicaid Assistance	93.778		
Medicaid Transportation		N/A	<u>\$18,637</u>
<u>TOTAL FEDERAL AWARDS</u>			<u>\$5,512,355</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2003	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004
\$0	\$0	\$18,637	\$0	\$18,637	\$0
\$467,105	\$2,530,356	\$2,800,723	(\$23,541)	\$2,892,140	\$352,147

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

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FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS

\$2,800,723

FEDERAL REVENUE RECOGNIZED PER THE GENERAL  
PURPOSE FINANCIAL STATEMENTS

General Fund	\$38,399
Special Education Fund	2,353,855
Vocational Education Fund	<u>408,469</u>
<u>TOTAL</u>	<u>\$2,800,723</u>

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 8 of this report.
- 3) Voc Ed - Tech Prep Implementation (01-02) CFDA 84.243, Project #023540-3411 adjustment of \$23,541 is to correct a reporting error on the June 30, 2003 Federal Awards Schedule. The \$23,541 was shown as a receivable at June 30, 2003 when in fact the amount was collected in that fiscal year.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT"  
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

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Current Payments Per the Grant Section Auditor's Report (Form R 7120)	\$2,572,007
<u>Add:</u> Grants Passed Through Other Agencies:	
Passed Through Sanilac Intermediate School District Vocational Education - Basic Grants to States (CFDA 84.048)	172,425
Passed Through Huron Intermediate School District Tech-Prep Education (CFDA 84.243)	54,432
Passed Through Genesee Intermediate School District Special Education Grants to States (CFDA 84.027)	3,062
Passed Through Thumb Area - Michigan Works WIA (17.259)	52,285
Passed through Michigan Department of Education Serve Michigan Grant (CFDA 94.004)	19,292
Passed Through US Department of Health & Human Services Medical Assistance (CFDA 93.778)	<u>18,637</u>
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>	<u><u>\$2,892,140</u></u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT- LAPEER, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2004

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

---

**Financial Statements**

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☒ Yes ☐ No

Identification of major programs:

CFDA Number(s)  
84.027/84.173

Name of Federal Program or Cluster  
Special Education – Cluster

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Qualified as low-risk auditee?

☒ Yes ☐ No

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT- LAPEER, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2004

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2004-1) Special Education (CFDA #84.027/84.173)

<u>Specific Requirement:</u>	Allowable Cost/Cost Principles.
<u>Condition:</u>	The District did not complete the time certifications required for employees working solely on a single Federal award or cost objective.
<u>Criteria:</u>	The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".
<u>Effect of Condition:</u>	Salaries and wages charged to the program could be disallowed.
<u>Cause of Condition:</u>	The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.
<u>Recommendation:</u>	The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Management Response:</u>	The District will develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Questioned Cost:</u>	None.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS  
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/PROGRAM TITLE/ SUBRECIPIENT	FEDERAL CFDA NUMBER	SUBRECIPIENT PROJECT NUMBER	SUBRECIPIENT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>IDEA Flowthrough</u>	84.027	040450-0304	
Almont Community Schools			\$73,604
Chatfield School			12,085
Dryden Community Schools			33,643
Imlay City Community Schools			93,053
Lapeer Community Schools			309,524
North Branch Community Schools			111,791
Total IDEA Flowthrough			<u>\$633,700</u>
<u>Capacity Building Grant</u>	84.027A	040490-CB	
Almont Community Schools			2,734
Dryden Community Schools			1,251
Imlay City Community Schools			3,456
Lapeer Community Schools			11,496
North Branch Community Schools			4,151
Total Capacity Building Grant			<u>\$23,088</u>
<u>Transition Services and Coordination Grant</u>	84.027	030490-30TS	
Imlay City Community Schools			2,000
Lapeer Community Schools			4,000
North Branch Community Schools			1,000
Total Infant & Toddler Grants			<u>\$7,000</u>
<u>IDEA Preschool Incentive</u>	84.173	040460-0304	
Imlay City Community Schools			12,482
Lapeer Community Schools			47,678
North Branch Community Schools			23,840
Total IDEA Preschool Incentive			<u>\$84,000</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			\$747,788
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<u>Medicaid Assistance</u>	93.778	N/A	
<u>Medicaid Transportation</u>			
Imlay City Community Schools			1,364
Lapeer Community Schools			5,107
North Branch Community Schools			43
Total Medicaid Transportation			<u>\$6,514</u>

<u>DUE TO (FROM)</u> <u>SUBRECIPIENTS</u> <u>JULY 1, 2003</u>	<u>SUBRECIPIENTS</u> <u>PRIOR YEAR</u> <u>EXPENDITURES</u>	<u>CURRENT YEAR</u> <u>CASH TRANSFERRED</u> <u>TO SUBRECIPIENTS</u>	<u>EXPENDITURES</u> <u>REPORTED BY</u> <u>SUBRECIPIENTS</u>	<u>DUE TO (FROM)</u> <u>SUBRECIPIENTS</u> <u>JUNE 30, 2004</u>
\$0	\$0	\$73,604	\$73,604	\$0
0	0	12,085	12,085	0
0	0	33,643	33,643	0
0	0	93,053	93,053	0
0	0	309,524	309,524	0
0	0	111,791	111,791	0
<u>\$0</u>	<u>\$0</u>	<u>\$633,700</u>	<u>\$633,700</u>	<u>\$0</u>
0	0	2,734	2,734	0
0	0	1,251	1,251	0
0	0	3,456	3,456	0
0	0	11,491	11,491	0
0	0	4,151	4,151	0
<u>\$0</u>	<u>\$0</u>	<u>\$23,083</u>	<u>\$23,083</u>	<u>\$0</u>
0	142	0	0	0
0	1,168	0	0	0
0	196	0	0	0
<u>\$0</u>	<u>\$1,506</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
0	0	12,482	12,482	0
0	0	47,678	47,678	0
0	0	23,840	23,840	0
<u>\$0</u>	<u>\$0</u>	<u>\$84,000</u>	<u>\$84,000</u>	<u>\$0</u>
\$0	\$1,506	\$740,783	\$740,783	\$0
0	0	1,364	1,364	0
0	0	5,107	5,107	0
0	0	43	43	0
<u>\$0</u>	<u>\$0</u>	<u>\$6,514</u>	<u>\$6,514</u>	<u>\$0</u>



LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS  
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/PROGRAM TITLE/ SUBRECIPIENT	FEDERAL CFDA NUMBER	SUBRECIPIENT PROJECT NUMBER	SUBRECIPIENT AWARD AMOUNT
<u>CORPORATION FOR NATIONAL COMMUNITY SERVICE</u>			
<u>Serve America Grant</u>	94.004		
<u>Serve America</u>		030600-36273	
Lapeer County MSU Extension			\$20,000
<u>Learn and Serve America Grant</u>	94.004	030600-36275	
<u>Learn and Serve Michigan</u>			
Lapeer County MSU Extension			22,500
<u>TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u> <u>PROVIDED TO SUBRECIPIENTS</u>			<u>\$796,802</u>

<u>DUE TO (FROM)</u> <u>SUBRECIPIENTS</u> <u>JULY 1, 2003</u>	<u>SUBRECIPIENTS</u> <u>PRIOR YEAR</u> <u>EXPENDITURES</u>	<u>CURRENT YEAR</u> <u>CASH TRANSFERRED</u> <u>TO SUBRECIPIENTS</u>	<u>EXPENDITURES</u> <u>REPORTED BY</u> <u>SUBRECIPIENTS</u>	<u>DUE TO (FROM)</u> <u>SUBRECIPIENTS</u> <u>JUNE 30, 2004</u>
\$1,601	\$16,990	\$3,009	\$1,408	\$0
<u>0</u>	<u>0</u>	<u>17,951</u>	<u>17,951</u>	<u>0</u>
<u>\$1,601</u>	<u>\$18,496</u>	<u>\$768,257</u>	<u>\$766,656</u>	<u>\$0</u>



# *Lewis & Knopf, CPAs, P.C.*

"Serving You with Trust and Integrity"

September 1, 2004

To the Board of Education of  
Lapeer County Intermediate School District

In planning and performing our audit of the general purpose financial statements of Lapeer County Intermediate School District for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Lapeer County Intermediate School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

The following items of immaterial internal control or administrative consideration came to our attention.

1. Time Certifications

The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".

The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.

## FUTURE ISSUES

1. Chart of Accounts

As you may be aware of, the Center for Educational Performance and Information (CEPI) has implemented a new upload application/database for financial reporting for districts. This new application/database is called the Financial Information Database (FID). For the fiscal year 2003 - 2004 you will be required to submit your financial data via the FID. The EDN/Form B submission process has been eliminated and is no longer available. The due date for the 2003 - 2004 FID submission is November 15, 2004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.



Lapeer County Intermediate School District

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September 1, 2004

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Lapeer County Intermediate School District's Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

LEWIS & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS